

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 22, 2008

Bill Number: H.B. 3390

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Committee Requesting Impact: Senate Finance Committee

Bill Summary

To amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3588 so as to allow a state income tax credit equal to twenty percent of the qualified expenditures of photovoltaic, solar, and fuel cell property credits allowed against a taxpayer's federal income tax liability.

REVENUE IMPACT ^{1/}

This bill is expected to reduce General Fund revenue by \$29,560 in FY2008-09.

Explanation

This bill would add Section 12-6-3588 allowing a state income tax credit to taxpayers who are eligible for and claim the federal residential energy efficient property credit pursuant to IRS Code Section 25D. The state income tax credit is equal to twenty percent of the federal income tax credit. The federal residential energy efficient property credit is equal to thirty percent of the costs of purchasing and installing qualified solar electric, solar water heating, and fuel cell property. The federal credit is limited to \$2,000 for solar electric and solar water heating property. According to solar installation data available through the State Energy Office, forty eligible solar electric and solar water heating systems were put into operation in South Carolina in 2007. There are no known residential fuel cell property installations in South Carolina. Based upon cost estimates supplied by solar energy installers, we expect that the amount of federal credits that will be claimed for these eligible solar energy installations will total \$73,900. A twenty percent state income tax credit against \$73,900 equals \$14,780. Based upon the growth of solar installations between 2006 and 2007, the BEA estimates that the number of eligible solar energy systems installed in South Carolina will double in 2008. The BEA therefore estimates that \$29,560 in state income tax credits will be claimed in FY2008-09, reducing General Fund revenues by an estimated \$29,560 in FY2008-09.

/s/ William C. Gillespie
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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.